

## **EXHIBIT J**

1 Peter G. McAllen, SBN 107416  
JONES DAY  
2 555 West Fifth Street, Suite 4600  
Los Angeles, CA 90013-1025  
3 Telephone: (213) 489-3939  
Facsimile: (213) 243-2539

4 Attorneys for Objector  
5 GRANT COUNTY PUBLIC UTILITY  
DISTRICT NO. 2  
6  
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**FILED**

FEB 25 2004

UNITED STATES BANKRUPTCY COURT  
SAN FRANCISCO, CA

8 **UNITED STATES BANKRUPTCY COURT**  
9 **NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION**  
10

11 **In re:**

12 **PACIFIC GAS AND ELECTRIC**  
13 **COMPANY, a California corporation,,**

14 **Debtor.**

15 **Federal I.D. No. 94-0742640**  
16

**CASE NO. 01 30923 DM**

**Chapter 11**

**OBJECTION OF PUBLIC UTILITY**  
**DISTRICT NO. 2 OF GRANT COUNTY,**  
**WASHINGTON TO DEBTOR'S MOTION**  
**FOR EXTENSION OF TIME TO**  
**OBJECT TO CERTAIN PROOFS OF**  
**CLAIM AND FOR RELATED RELIEF**

**Hearing: March 5, 2004**  
**Time: 1:30 p.m.**  
**Location: 235 Pine Street, 22<sup>nd</sup> Fl**  
**San Francisco, California**  
**Judge: Hon. Dennis Montali**

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19  
20 Public Utility District No. 2 of Grant County, Washington ("Grant County") hereby files  
21 this Objection to the Motion for Extension of Time to Object to Certain Proofs of Claim and for  
22 Related Relief (the "Motion") filed by the Pacific Gas and Electric Company (the "Debtor").<sup>1</sup> As  
23 described below, proof of claim number 7864 filed by Grant County (the "Grant County Claim")  
24 is very different than the other claims described in the Motion for which the Debtor seeks an  
25 extension of time to file an objection. None of the justifications set forth in the Motion in support  
26 of granting an extension apply to the Grant County Claim. Accordingly, the Motion should be

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28 <sup>1</sup> The Debtor granted Grant County an extension until February 25, 2004 to file an objection  
to the Motion.

1 denied with respect to the Grant County Claim. In support of this Objection, Grant County  
 2 respectfully represents as follows:

3 I.

4 **BACKGROUND**

5 Grant County is a public utility in the State of Washington engaged in the production and  
 6 sale of electricity. Beginning in November 2000, Grant County delivered electricity to the  
 7 California Independent System Operator (the "CAISO") pursuant to a CAISO request. The  
 8 CAISO then resold some or all of the electricity to the Debtor. The Debtor filed a voluntary  
 9 petition for relief under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1330 (the  
 10 "Bankruptcy Code") on April 6, 2001. Grant County filed the Grant County Claim against the  
 11 Debtor in the amount of \$17,828,019.54, plus interest and costs, for electricity sold to the Debtor.  
 12 On December 22, 2003, the Court confirmed the Plan of Reorganization Under Chapter 11 of the  
 13 Bankruptcy Code for Pacific Gas and Electric Company dated July 31, 2003, as modified by  
 14 modifications dated November 6, 2003 and December 19, 2003 (the "Plan"). Capitalized terms  
 15 not otherwise defined herein shall have the meaning given to them in the Plan.

16 During the Debtor's bankruptcy case, the FERC made numerous findings in the FERC  
 17 Refund Proceedings regarding, among other things, wholesale prices in the California electric  
 18 power markets. With respect to Grant County, the FERC had to determine whether the FERC  
 19 had jurisdiction over the Grant County Claim because (i) Grant County is a governmental entity,  
 20 (ii) Grant County did not make sales under the CAISO tariff to the CAISO's single clearing price  
 21 auction markets and (iii) Grant County never entered into any agreement with the CAISO, such as  
 22 a scheduling coordinator agreement or a participating generator agreement, acknowledging FERC  
 23 jurisdiction over Grant County's sale to CAISO.

24 After considering these issues with respect to Grant County, the FERC found that "the  
 25 circumstances of its sales to the CAISO, as described above, unlike those generally by the  
 26 governmental entities involved in this proceeding, provide us with neither personal jurisdiction  
 27 over Grant County nor subject matter jurisdiction over its CAISO sales." San Diego Gas &  
 28 Electric, 105 FERC ¶ 61,066, at P. 177 (October 16, 2003). (Excerpts attached at Exhibit 1.) No

1 party has requested rehearing of that determination as to Grant county and it is therefore final and  
2 non-reviewable. Federal Power Act § 313, 16 U.S.C. § 8251. Accordingly, Grant County's sales  
3 to the ISO are no longer subject to potential price mitigation at a result of the FERC Refund  
4 Proceedings and, because the FERC found that it does not have jurisdiction over Grant County,  
5 the allowance of the Grant County Claim is not dependent on any ruling by the FERC.  
6 Significantly, Grant County is the only generator dismissed from the FERC Refund proceeding  
7 for lack of jurisdiction. As reflected in the October 16, 2003 order, other generators have  
8 objected to FERC jurisdiction on a number of grounds, but those objections have been overruled.

## 9 II.

### 10 ARGUMENT

11 Pursuant to the Motion, the Debtor seeks, among other things, to extend the time that it  
12 has to object to ISO, PX and Generator Claims, including the Grant County Claim, from the  
13 Effective Date of the Plan until such time as the claims become Allowed under the terms of the  
14 Plan. The Debtor's justification for this extension is that virtually all of the issues that would be  
15 subject to the Debtor's objection to the ISO, PX and Generator Claims are likely to be resolved  
16 through the FERC's ruling in the FERC Refund Proceedings. That justification simply does not  
17 apply to the Grant County Claim.

18 Grant County occupies a unique position among creditors in the Debtor's case that  
19 distinguishes it from the other ISO, PX and Generator Claims. As described above, the FERC  
20 already has ruled that it does not have jurisdiction over the Grant County Claim. Accordingly,  
21 there is no reason that the Debtor needs to wait (or that Grant County should be forced to wait)  
22 until the end of the FERC Refund Proceedings, which could take years, to object to the Grant  
23 County Claim. The FERC Refund Proceedings simply do not apply to the Grant County Claim.  
24 Thus, the Motion should be denied, and the Debtor should be required to file any objections to the  
25 Grant County Claim by the Effective Date of the Plan.

III.

CONCLUSION

For the reasons set forth above, the Court should deny the Motion with respect to the Grant County Claim.

Dated: February 25, 2004

Respectfully submitted,

JONES DAY

By: Peter G. McAllen  
Peter G. McAllen

Attorneys for Objector GRANT COUNTY  
PUBLIC UTILITY DISTRICT NO. 2

*by PAA/bmk  
with  
express  
permission.*